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## DOLLAR DIPLOMACY AND IMPERIALISM <sup>1</sup>

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**T**HE European war has changed the United States from a debtor to a creditor nation. We are lending billions to the Allies, not only by the government directly but through the great banking institutions at Wall Street as well. Even prior to our entrance into the war economic forces were driving us into the imperialism of finance which has proved so disastrous to all of the greater powers of Europe. We were lending money in large sums to Central and South America. Our concession seekers were uniting with those of Europe in the exploitation of Mexico. High finance had penetrated into China and was securing concessions for the building of railroads and canals, while our New York banks were opening branches in South America and elsewhere as agencies for the promotion of their interests.

Efforts have been made to identify the government and especially the State Department with dollar diplomacy ever since the refusal of President Wilson to lend the support of this government to the Chinese six-power loan of 1913. The attitude which our government should take to concession seekers and investors in weaker countries, was widely discussed during the last presidential campaign, while the press and especially the publicity agencies of Wall Street have been filled with inspired articles insisting that this country must adopt the diplomatic policies and grant the same kind of protection that investors and concession seekers of England, France and Germany enjoy.

The entrance of the United States into the war has altered the situation somewhat. But with the ending of the war and the competition for foreign investments which will ensue

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CONFLICT

the whole question of financial imperialism will be upon us demanding an official declaration of policy.

Dollar diplomacy or financial imperialism is not to be confused with international trade or international banking. For trade is a function of the commercial rather than the banking classes. It differs in no essential from domestic trade except that it is carried on across national boundaries. And international banking is but an agency of international trade. The new movement, which began in this country in a small way twenty years ago, is an activity of finance rather than of trade. It is carried on by great banking houses, chiefly those in New York. It consists in the loaning of money to weak nations or to revolutionary governments; in the building of railroads, canals and public-utility enterprises; and in the development of mines, plantations and other resources. Only incidentally does trade or commerce enter into the program of imperialistic finance. Closely allied with the lending of money and the securing of concessions is the sale of munitions, which in all the great powers has been carried on under the joint protection of the government and the great banking and exploiting houses.

Financial imperialism had its origin in all countries in surplus wealth seeking foreign investment. As the rates of interest fell in England, France, Germany, Holland and Belgium, the accumulated capital of those countries sought investment in countries needing investment. It flowed into Africa, the Balkans, Turkey, South and Central America, and China, where banking was under the control of the great banking institutions of Europe. For many years England and France were almost the only lending and development countries.

The movement for imperialistic finance had its origin in Egypt, into which country Great Britain and France poured large sums of money from 1870 to 1885. It began with the purchase of the control of the Suez Canal by Disraeli in 1875, and during the next fifteen years nearly \$450,000,000 was loaned to Khedive Ismail, a spendthrift prince who contracted colossal debts for his private expenses and for public enterprises. European contractors overcharged the Khedive from eighty to forty per cent on construction work, and his creditors

sometimes got as much as twenty-five per cent on their loans. Of a single loan of \$160,000,000 in 1873 only \$100,000,000 ever reached the exchequer. In a few years' time \$450,000,000 of English and French money was poured into Egypt. The interest rates were usurious. The Egyptians were taxed to the limit of their capacity to pay. Internal troubles traceable to excessive taxation threatened the payment of interest, and the loan seemed insecure. English and French officials intervened in the local administration, and finally, in 1882, ships were sent to Alexandria, and the English occupation began.

This was the beginning of financial imperialism on a large scale, and the division of the earth among the great creditor nations. France was later crowded out of Egypt and turned west to Tunis and Morocco. Tunis lost her independence, and French, English and German interests turned their attention to Morocco as a rich field for investment. The Morocco Incident, which nearly precipitated war in 1911, was primarily traceable to the conflict of bankers and concession seekers of these nations in that country. The Sultan, who was a weak and spendthrift prince, was induced to borrow colossal sums upon which he paid usurious interest. In seven years' time the indebtedness of the country was increased from \$4,000,000 to \$32,500,000. On this loan extortionate commissions were charged; while the bonds were taken at a very low rate. The customs revenues were passed into foreign hands to meet the interest demands, and the internal taxes imposed upon the natives to satisfy creditors and to meet local necessities led to disaffection among them. In addition to the activities of the bankers, German and French concession seekers secured rights for the iron-ore deposit in the Sus Province, which were claimed by the Krupps and Mannesmanns of Germany. These grants were of great value to Germany because she was in need of iron ore. Other concessions for docks, railroads, banks and other privileges were being sought by contesting nations, and in 1911 England, France and Germany were on the verge of war over the diplomatic controversies which were traceable to the attempts of these governments to protect their subjects and their concessions in Morocco.

The experience of Egypt and Morocco is the experience of Persia, Turkey, South Africa, Central America, Mexico and China. During the last forty years 100,000,000 people have been made subject to the great powers of Europe, and 10,000,000 square miles of territory have fallen under the dominion of England, France and Germany alone.

The lending of money was the primary cause of the penetration into North Africa. The struggle for concessions explains the penetration into Persia, Turkey, South Africa and Mexico. The war between Japan and Russia was directly traceable to the refusal of the Czar and his ministers to abandon very profitable timber concessions in which the royal family were personally interested and it seems now to be generally admitted that the South African War was traceable to the activities of the gold and diamond-mine owners seeking special privilege in the Transvaal. Persia was divided and placed under the joint suzerainty of Russia and England, partly as a political expedient to control the route to the East, and partly as a result of the struggle among Russian, German and English interests to control the transportation systems and oil fields of that country.

The home governments of the greater powers become involved in overseas exploitation because of the doctrine first enunciated by Lord Palmerston about the middle of the last century to the effect that the flag of the creditor nation followed the investor. The issue arose over the claim of an alleged British subject in Greece, which was disputed by the government of the latter country. The claim was referred to the British Foreign Office and a British battleship was sent to Greece to enforce the claim. Out of this action and the principle enunciated by the British Foreign Office, the doctrine of extraterritorial rights became identified with international law. It is a principle that has not been applied as between the greater nations. It is applied only by a strong against a weak nation. Under this doctrine, which has been accepted by all the greater powers with the exception of the United States, and which has been greatly amplified in the intervening years, the occupation of territory all over the world has been

justified. And as a result of this doctrine endless conflicts have arisen between the powers; for if the foreign office is justified in protecting a loan or concession against the borrowing or concession-granting country, it is also justified in protecting its claimants from any other power. During the last fifty years endless diplomatic negotiations have been held by all of the powers of Europe over conflicting rights in every section of the globe. And when finally the history of the present conflict is written, it is probable that the irritations and conflicts growing out of claims in Turkey, Asia Minor, Morocco, Persia and elsewhere will be found to be one of its primary causes.

The European war has shifted the burden of overseas finance to the United States. We have become the great creditor nation. Nearly \$5,000,000,000 has already been loaned directly to Europe, to South America, to China and Africa. Surplus wealth, so-called, has made its appearance here, and the lure of excessive interest rates has attracted the money of America out of the nation into distant parts. And with the beginning of overseas investments the demand arose for a firmer foreign policy in dealing with weaker nations. This demand is in direct ratio to the size of our overseas claims. There is no doubt that the primary motive behind the demand for intervention in Mexico was the fact that American claimants possessed privileges, concessions and investments in Mexico in excess of \$1,000,000,000, or a sum greater by more than \$200,000,000—according to Consul-General Fletcher—than the property and possessions of all the Mexicans combined.

Up to the present time President Wilson has declined to lend his sanction to the doctrine that the flag follows the investor. He has refused to sanction the Old World idea of extraterritorial nationality when weaker nations are involved. One of his first acts upon taking office in 1913 was to refuse support and protection to American participants in the Chinese six-power loan—a refusal which led to the withdrawal of American bankers from the syndicate; but as a countervailing gain it secured the affection and confidence of China. For the action of our government in this matter freed China from the demands of the European bankers of the six great powers, and enabled

her to secure a loan on much more favorable terms. It is quite possible, too, that the assistance given China at this time saved that country from bankruptcy and possible dismemberment by the powers which were seeking to enforce a loan upon the government far in excess of her needs. For one of the terms insisted on was that the Chinese customs and excise taxes, the administration of her salt monopoly, and the control of the auditing department should be placed in the hands of foreign advisers, who were to administer the revenue system for the payment of the interest and principal of the loan. Had these terms been acceded to and had China been divided into spheres of influence, it is not improbable that China would have fallen under the dominion of the great powers of Europe, as Egypt, Persia, Tunis, Morocco and Turkey have.

One of the gravest questions to be decided by the peace conference on the termination of the war is the rights of weak and dependent peoples which during the last fifty years have fallen under the dominion of the greater powers. Shall they, too, be given liberty? Shall autonomy be granted to the African states and the Near East? Shall they be permitted to administer their internal affairs and exclude foreign concessionaries with as much freedom as the greater powers?

So long as the financial and concession-seeking interests are as powerful at home as they are today, they will be clamorous for protection for their investments. They will insist upon a great navy. They will urge their claims as they have done in the past. They will not willingly submit to disarmament if it means that the \$40,000,000,000 of investments by English, French and German people are to be left to such protection as is offered them by the dependent countries.

The United States has not yet become seriously involved in dollar diplomacy. Such overseas investments as have already been made are for the most part in Mexico and Central America. We are able to deal with this issue with a comparatively free hand. What will our policy be? Shall we blindly accept the diplomatic traditions of Europe, secret diplomacy, the doctrine that the flag follows the investor, and with it all the consequences of complications and wars which have followed this



doctrine all over the world? Or shall we rather adopt the democratic doctrine that the investor must take his own risks? Shall we not insist that if he ventures forth into foreign fields he has no right to demand that this country should police his investments, should interfere with other governments, and as a last resort should send American marines to collect his debts? Should not democracy establish the doctrine that the flag is a symbol of liberty rather than of subjection; that it will safeguard liberty rather than destroy it; and that other peoples—no matter what their stage of development may be—have an equal right with ourselves to establish and maintain their governments free from outside interference?

Briefly, it seems to me this country should reaffirm the principles laid down by President Wilson, and should definitely declare that the State Department is closed against concession seekers and those who would make use of the department for the promotion of their private interests. The United States, it should be stated, is not a collection agency; we are not in the insurance business. Moreover, our declarations and efforts should be toward establishing and securing freedom for all nations, be they in Europe or elsewhere; and especially for those nations which have lost their freedom through the activities of individuals and corporations engaged in overseas finance. Political freedom is as priceless to the yellow race or the black race as it is to the white. And the subjection of nations and countries in the interest of exploitation has less to defend it than any other claim of imperialism thus far put forth.